

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE

Call to Order: By **CHAIRMAN JEFF PATTISON**, on January 14, 2003 at 8 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Jeff Pattison, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Edward Butcher (R)
Rep. John Musgrove (D)
Sen. Linda Nelson (D)
Rep. Rick Ripley (R)
Sen. Debbie Shea (D)

Members Excused: None.

Members Absent: None.

Staff Present: Kelly Gorin, OBPP
Gary Hamel, Legislative Branch
Elaine Olsen, Committee Secretary
Doug Schmitz, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape time stamp refers to the information which follows.

Committee Business Summary:

Hearing & Date Posted: Department of Natural Resources and
Conservation, 1/14/2003
Executive Action: None

{Tape: 1; Side: A; Approx. Time Counter: 1 - 27}

Tom Richmond, Administrator, Board of Oil and Gas Division of the Department of Natural Resources and Conservation (DNRC), stated the Board has three regulatory goals: prevention of waste, conservation of the oil and gas resource, and the protection of correlative rights. The seven-member Board is appointed by the Governor and has rule-making authority. Three members must be from the oil and gas industry; two must be landowners in an oil and gas county with one mineral owner who does not own subsurface minerals; and two are appointed at large.

Tom Richmond stated that the Division certifies new horizontal wells, review requests and prepares recommendations for enhanced recovery projects, and prepares production forecasts and schedules for the Department of Revenue. The Board approves new and expanded enhanced recovery projects, approves tertiary projects, and certifies the incremental production and horizontal recompletions.

Tom Richmond stated the Division reviews 300-400 drilling permits per year. Horizontal drilling and reentry has increased. The Horizontal Tax Incentive program was passed in the Special Session. The increase in oil production attributable to new horizontal wells and recompletions is significant in the total state production.

Oil production in the state has averaged 16 million barrels a year over the last five years. The number of producing oil wells is stable at 3,500. Gas production had been about 49 bcf a year and is now up to 75 bcf a year due to coal bed methane. The number of producing gas wells has increased by about 1,000.

Tom Richmond reported that currently the state average oil production is about 15 barrels a day of crude oil, and the state gas production is 53 mcf per rig. Big Horn County produced about 204,000 mcf in the year 2000, and in 2001, they produced eight million mcf, the increase attributed to coal bed methane.

EXHIBIT (jnh07a01)

{Tape: 1; Side: A; Approx. Time Counter: 27 - 30}

SEN. TASH asked how the depth of Montana coal bed methane wells compared to other adjoining states. **Tom Richmond** replied that Montana wells in the Powder River Basin are about 250 feet, 400

feet and 750 feet which is the same for Wyoming. In the central part of the basin there are some deeper wells.

SEN. BUTCHER asked how thick a coal vein has to be to extract methane off of it. **Tom Richmond** replied that it takes about 50 feet of coal.

REP. PATTISON asked when Montana would actually be in production of coal bed methane. **Tom Richmond** stated that C. X. Ranchfield is online and is producing about 900,000 cubic feet a month. That project has 250 wells with an infrastructure in place to expand. Last month the average well produced 104 mcf per day.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 18}

SEN. NELSON asked what amounts of water are being produced, and what was being done with it. **Tom Richmond** replied that each well is currently producing about 4.6 gallons of water per minute. Most of the water is going into impoundments. Fidelity does have a discharge permit into the Powder River for about 1,600 gallons per minute.

SEN. BUTCHER asked if any of the water was being reinjected, and what would be the setup cost of a wildcat well. **Tom Richmond** stated that the lease prices were very high. In coal bed methane one well would not be profitable, and it would take an estimated 100 wells at 100 mcf a day to be profitable.

SEN. BUTCHER asked if artesian pressure was needed to extract the coal bed methane. **Tom Richmond** replied that enough water pressure to have held the gas in place was needed. There is one reinjection project in Montana. Companies have had limited success with the method.

SEN. SHEA mentioned that Colorado does a lot of reinjection. **Tom Richmond** said that northern New Mexico and southern Colorado do a lot of reinjection because the water is of poor quality, and the production is at 3,000 to 4,000 feet as opposed to 350 to 750 feet.

SEN. SHEA asked if the reinjection process was possible in any area of Montana. **Tom Richmond** responded that it was thought that the process might be possible near Bozeman Pass. Drilling and completing an injection well would cost about \$500,000.

REP. RIPLEY asked about the differences between drilling on state land and federal land. **Tom Richmond** said that a clean title is

easy to establish drilling on state or federal lands. On federal lands endangered species, historical preservation, archeology, and similar issues can complicate drilling. The state has some similar obligations but not as many. A federal permit takes 30 days, and a state wildcat permit takes ten days.

REP. RIPLEY asked how many wells are on state land compared to federal land. **Tom Richmond** reported that in the Powder River Basin the mix is about 50 percent federal minerals and 50 percent nonfederal minerals. Most of the land in that area of the state was settled under the Homestead Act, and the federal government retained the mineral rights. A lot of the private surface owners do not own their minerals.

SEN. BUTCHER asked about the acreage of mineral rights controlled by the railroad. **Tom Richmond** stated that in most of eastern Montana the coal, oil and gas were reserved for the railroad. Further west they sold a lot of the rights.

CHAIRMAN PATTISON asked about the ESA and the sage grouse in the coal bed methane area. **Tom Richmond** replied that the EIS had a large wildlife section including the sage grouse. It contains a lot of recommendations for governmental lands. Most of the Board's regulatory jurisdiction is on private lands.

{Tape: 1; Side: B; Approx. Time Counter: 18 - 30}

Tom Richmond reported that the funding sources for the Division are the license and privilege tax, statutorily set at three tenths of one per cent of the value of oil and gas sold. The Board reduced that tax last year 2.6 tenths of one percent. The Division receives a federal operating grant for the underground injection coal programs, and the Division collects a per-well injection oil fee to pay the rest of the costs.

Director Bud Clinch, DNRC, reported that the funding sources for the Division are all State Special Revenue and are the executive budget proposals as presented in the Budget Book. The Legislative Global Action had no impact on this Division because they have no General Fund in their budget.

Tom Richmond presented DP3, a zero-based item for Board member per diem, the filling of a fourth exempt position in the Division, and the annualized expenditures for contracts.

SEN. NELSON asked about Board member reappointment. **Tom Richmond** stated that all three Board members were reappointed.

Tom Richmond discussed DP8, a budget item to reestablish three FTE which had been removed from the base budget. The work load increase is associated with coal bed methane development.

Director Clinch added that the number of FTE in this Division needed to complete the workload varies from biennium to biennium. The FTE are an attempt to respond to the increasing workload resulting from increased coal bed methane activity.

SEN. SHEA asked what a typical day would be like for a coal bed methane field inspector. **Tom Richmond** replied that field inspectors pay close attention to the plugging of orphan wells, abandoned wells are inspected for reclamation standards, and every injection well has to be tested for mechanical integrity every five years. The Division responds to landowner complaints and spills or leaks which must be responded to quickly. Producing wells must be inspected.

SEN. SHEA inquired about the size of the area the inspectors work and about the orphan wells. **Tom Richmond** stated the areas were quite large. Orphan wells are hard to track with many wells existing before the current permitting procedure.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 17}

Tom Richmond presented the DP addressing the replacement of the heating system. **Tom Richmond** then discussed the DP funding the Coal Bed Methane Impoundment Study, stating that there is a lot of concern over the discharge of water and surface treatment. The Division is requesting a \$200,000 grant to study what happens to the affluent of methane water, what are the circumstances of locating one of those impoundments that would cause it to be disapproved, and what kind of construction standards should be set.

CHAIRMAN PATTISON asked if coal bed methane was a new development and how long Wyoming had been extracting it. **Tom Richmond** replied that people have known about methane in their water over 100 years ago. The first commercial wells in Wyoming were about 1986.

CHAIRMAN PATTISON asked if Wyoming might have some studies in the same areas mentioned. **Tom Richmond** responded that some information of a limited scope is available. Wyoming was monitoring studies around existing facilities in the areas where there are shallow alluvial aquifers. The reason for requesting this kind of study is the need for more detail given the variety

of terrain that the Department has to base the regulatory program on.

SEN. SHEA asked if this study would assist in moving the project forward. **Tom Richmond** replied that the purpose of the study is to try to develop a regulatory position on impoundments that would allow the Board to go forward with permitting. The Division wants to establish an efficient, routine permitting procedure.

SEN. NELSON asked if the Board did not get the grant, would the project be off. **Tom Richmond** stated that Department of Energy(DOE) could not commit to the full amount because the federal budget has not been passed. Some funds are available right now; and by July 1, 2003, the money might be available. With this \$200,000 grant and \$200,000 of State grant, the Division could do a credible study without the DOE.

SEN. NELSON asked if the Division would have any objection to a one-time-only, restricted designation for the funding. **Tom Richmond** said that would be fine.

Tom Richmond introduced the DP for an historical data project which would allow the Division to acquire images of electrical well logs, drill stem test reports and other information contained in files that could be put on the internet as an image.

CHAIRMAN PATTISON asked how many people per year came in to see well logs. **Tom Richmond** replied that between five to ten visitors a day come to the office to see a variety of reports. Water well drillers and commercial services are some of those who come in to obtain reports. An estimated 25-20 geologists come in regularly. Currently a lot of information is available on the website which is experiencing 500 to 600 hits a month.

SEN. TASH asked if the Bureau of Mines and Geology uses the data. **Tom Richmond** replied that the representative from the Bureau frequently uses the information.

SEN. SHEA asked if this would assist with economic development in the area. **Tom Richmond** stated that as a regulatory agency, providing information did help build prospects in the area.

CHAIRMAN PATTISON asked if many federal agencies came in to inspect the well logs or to check things out. **Tom Richmond** responded that the Bureau of Land Management geologists came over

regularly. A check of the server logs shows that a lot of federal servers have been accessing the Division website.

Tom Richmond discussed a language appropriation which would allow the Board to substitute the federal money for the State Special funds. The grants varies between \$104,000 and \$110,000 which is about one-third of the program.

{Tape: 2; Side: A; Approx. Time Counter: 17 - 31}

Director Clinch introduced **Ray Beck, Division Administrator, Conservation and Resources Development**, noting that the Division has an incredible contact with a wide variety of other groups and constituents.

Ray Beck stated that the mission of the Division to provide technical and financial assistance to private citizens, local governments and state agencies for the conservation, development, protection and management of the State's natural resources. The Division contains the Conservation Districts programs and the administration of a number of loan and grant programs.

Ray Beck described the loan and grant programs. During the last fiscal year the Division managed 924 contracts and anticipates 960 by the end of this fiscal year. The Division has 22.5 FTE with three bureaus. The Conservation Districts Bureau provides administrative, technical, financial and legal assistance to 58 conservation districts to help the districts meet their responsibilities.

Ray Beck stated the Rangeland Management Program is part of state statute. Currently the Division shares the cost of the FTE with the Natural Resource Conservation Service. The Division holds the Winter Grazing Seminar, a youth range camp, and the Governor's Range Day. The Division administers the rangeland improvement loan program with 56 loans for \$917,000 with projects including stock water development, cross fencing, and range renovation. The Division received 228 applications for a total of \$4.4 million.

Ray Beck reported that the Division supplies assistance to Districts with their water reservation responsibilities. Currently 35 districts hold water rights reservations for future agricultural development. Districts are assisted with their Federal Farm Bill responsibilities. The Division coordinates a comprehensive riparian management program to promote proper

riparian management which involves Conservation Districts, federal, state agencies and private organizations.

Ray Beck discussed the Division's work with educational curriculum to assist small landowners who are developing property on agricultural land. The fastest growing work load is the Conservation District's assistance in urban areas, with incorporated areas having voted to come into the districts.

Ray Beck presented information on the Non-point Source Water Pollution Program which was mandated by the Clean Water Act. Conservation Districts are required to identify and address local nonpoint pollution problems. Districts have provided demonstrations projects, public information and education material, water quality workshops, stream inventories and other projects. **Ray Beck** explained that RC&D's in Montana are coordinated with the federal government through DNRC. He then described the work the Department does with the Yellowstone River Conservation District Council.

Ray Beck commented briefly on Grazing Districts which are administratively attached to the Department and then introduced the loan and grant programs administered by the Division. The majority of the funding is provided to local governments to finance infrastructure and natural resource projects.

{Tape: 3; Side: A; Approx. Time Counter: 1 - 23}

The Renewable Resource Grant Fund totals \$4 million per biennium with projects including the construction and rehabilitation of irrigation and municipal water and waste water facilities, stream bank stabilization, groundwater protection and evaluation, timber stand establishment and riparian protection. Seventy-three applications were received in the last biennium, totaling \$7.1 million.

Ray Beck stated that the last Legislature appropriated \$300,000 in project planning grants from the Renewable Resource program. The program has assisted the communities in finding solutions to aging infrastructure needs. The thirty-eight projects funded were primarily for engineering and financial analysis for grant programs.

Ray Beck continued, stating that under the Renewable Resources Program, is a fund of \$125,000 for the Emergency Project List. The projects must qualify under the Renewable Resource Program

and demonstrate an emergency that would result in damage or liability for the project sponsor.

Ray Beck stated the Division is involved with Coal Tax Bond Fund. Most of the bonds are paid by the borrowers. In HB8 the loans are approved by the Long Range Planning Committee of the Legislature. In some cases the interest is reduced, or the loan is given out at zero percent interest. The debt service is covered by the bond fund. Currently there are 72 public loans with an outstanding balance of \$49 million. The majority of the loans are for municipal water and waste water projects and for irrigation rehabilitation.

Ray Beck stated the Division is responsible for administering the Treasure State Loan Program. Applications are being reviewed with the majority of them being referred to programs better suited for the project. The Department has provided loan funding for 291 private water projects, primarily for the purchase of irrigation equipment, totaling \$24.7 million. The Vision 2005 Task Force, organized by the Department of Agriculture, includes a component to develop 500,000 acres of new irrigation projects. The Irrigation Development Program was placed in the Division by the 1999 legislature.

Ray Beck described other funding programs administered by the Division. The Montana Natural Resources Act will allow low-cost hydroelectric power from the Missouri River main-stem dams to be used for irrigation pumping on existing irrigation districts and to provide lowcost power for irrigation.

The Reclamation and Development Grants Program provides funds to projects that indemnify Montana citizens from the effects of past mineral development from public resources and that meet other crucial state needs serving the public interest. A total of \$2.4 million is available for the next biennium with the Division having received 26 applications totaling about \$7.2 million. Since 1996 175 projects have been funded, totaling about \$31 million.

The Division administers the financial portion of the State Wastewater Revolving Fund. Loans are made to governmental entities to improve their wastewater facilities. Currently there are 103 loans totaling \$136 million.

The Safe Drinking Revolving Fund provides loans to governmental entities to improve water facilities. Forty-five loans have been made, totaling \$50 million.

Regional drinking water projects in northcentral and northeastern Montana are significant economic development projects. They provide safe drinking waters for over 20 communities.

Ray Beck summarized, stating the Division provides a variety of programs, all of which provide technical and financial assistance to local governments and to private individuals.

REP. MUSGROVE read into the record from a letter from Lowell J. Swenson, Finance Director and City Clerk, Havre: "Also, the State Employees we worked with were very professional and helpful."

EXHIBIT (jnh07a02)

Director Clinch asked individuals present to introduce themselves and state the project or entity with which they are associated: **Mike Wendlund, President, Association of Conservation Districts; Miles Knutson, Sidney, Dry Prairie Rural Water Project; Clint Jacobs, Culbertson, coordinator, Dry Prairie Rural Water Project; Jane Holzer, Helena, Director, Montana Salinity Control Association; Gary Amestoy, Richland Economic Development in Sidney, and Lower Yellowstone Conservation District Development Committee, spoke in support of the irrigation development grant and the funding for community projects; Sarah Carlson, Helena, Montana Association of Conservation Districts; John Semple, Helena, Ag Coalition; Ty Rogers, Billings, DNRC Irrigation Development Program; Jay Bunder, Helena, Montana Association of State Grazing Districts; Phil Hill, Bozeman, Montana State Task Commission; Chris Hunter, Helena, Lewis and Clark Conservation District; John Bolstad, Medicine Lake, Dry Prairie Rural Water Project and Sheridan County Conservation Ground Water; Dan Keil, Conrad, chairman, Northcentral Regional Water Authority; Annmarie Robinson, coordinator Northcentral Regional Water System;**

CHAIRMAN PATTISON introduced **REP. JOHN WITT**.

{Tape: 3; Side: A; Approx. Time Counter: 23 - 31}

Ray Beck stated the Division administers a \$150,000 irrigation grant program. During budget planning with OBPP, four one-time-only projects were not proposed: one on the lower Yellowstone, one on the Missouri, the Sheridan County Groundwater Monitoring project, and the Eastern Plains RCD. In addition, the Division proposed the elimination of the Yellowstone Engineering position, the reduction of the Yellowstone River project, the elimination

of a Conservation District employee and a reduction of office expenses.

Ray Beck addressed DP12, the Crow Tribe settlement and asked **Susan Cottingham, Program Manager, Reserved Water Rights Compact Commission (RWRCC)**, to explain the settlement. **Susan Cottingham** stated the RWRCC has the mission to negotiate water settlements with Indian tribes and federal agencies. The settlement with the Crow Tribe addressed not only the water rights but also settled a major piece of litigation between the State and the Crow Tribe over coal tax revenues. The State agreed to put \$15 million into an escrow account for the Tribe to settle the water and the coal tax issues, pending final Congressional and State Water Court concurrence with the settlement.

{Tape: 3; Side: B; Approx. Time Counter: 1 - 16}

Director Clinch reported that the reason for the present law adjustment is because last biennium the Legislature contributed only \$500,000 per year.

REP. MUSGROVE commented that the reduced payments could be perceived as a disadvantage to the contract. If the payments are not kept on an even rate for the 15 years, some people would love to take the Compact back into the court as not everyone was in agreement with the settlement.

Ray Beck introduced DP 28, Grass Conservation Commission, which includes a request for a biennial appropriation adjustment due to a vacant executive secretary position. If approved funding would be provided for contracted services for travel and communications for the secretarial position.

SEN. SHEA asked for verification that it would be \$40,000 a year to take the place of a secretary. **Ray Beck** replied that the Commission would be hiring a secretary and asked a representative from the grazing commission to respond to SEN. SHEA's question.

Phil Hill, Grass Conservation Commission, asked the Committee to help with an appropriation which would assist with the hiring of a executive secretary.

SEN. BUTCHER asked about the Commission's total annual budget. **Phil Hill** replied that it was about \$60,000 a year. The appropriation for the executive secretary had been cut back.

Director Clinch clarified stating the appropriation request was for State Special Revenue for an executive secretary position, often referred to as an executive director. The appropriation would also be for the travel and operating expenses for the secretary and for the Commission members to attend meetings.

Ray Beck added that the position was not a State FTE. The Division contracts the funds to the Commission, and in turn, the Commission hires the executive secretary.

SEN. SHEA commented that she wanted to make sure it was an actual hired position, not contract for services.

Ray Beck outlined the recent funding changes between General Fund and fee appropriations the Grass Conservation Commission had received. If the current proposals are approved, the budget would be around \$124,786; however, it is unlikely the total amount of fees would meet the projections.

Ray Beck introduced DP230, the Coal Severance Tax Shared Account reduction, which are administrative funds which assist in the administration of the Conservation District offices, technical and legal funds for the 310 administration, ENVIROTHON funding, and the Salinity Control program.

Ray Beck introduced DP7009, a request to add 0.5 FTE to allow an accounting technician position to become full-time with funding coming from federal funds. Also being requested is increased funding for rent, janitorial services, and contracted services and additional funding for travel and communication for the Irrigation Development program. The DP includes cuts the Division would be taking in the 310 grant technical and legal funds, contracted services for the RC&D and the Yellowstone River project. Special session reductions are continued under this DP.

{Tape: 3; Side: B; Approx. Time Counter: 17 - 24}

Gary Hamel stated the he would provide the cuts the Division would be taking under DP7009.

Ray Beck stated the total reductions in DP7009 for the first year was a net of \$302, and the increase in the second year was a net of \$2,230.

Ray Beck continued to DP7020 which eliminates an agricultural engineering position resulting in a \$48,000 reduction per year.

He then described the language recommendations which provide for the possible default on loans.

Anna Miller, DNRC, stated the Department sells general obligation funds and uses an EPA grant to fund the revolving fund programs. The monies are used for loans to communities and the attendant administrative costs. The language appropriation allows for the transfer of funds to meet costs.

{Tape: 3; Side: B; Approx. Time Counter: 24 - 31}

Jeff Wickholm, Sheridan County Conservation District, outlined the development of the Sheridan County Ground Water Reservation. The monitoring facet of the program was funded by Renewable Resource funds until a recent \$50,000 one-time-only appropriation. The District is monitoring 16,000 acre feet of water which can be used for irrigation in the area.

John Bolstad, Sheridan County Conservation District, stated that Holly Sugar, Busch Malt Barley plant, dairy production, hay production and seed potato production all provide economic benefits to the area and rely on the irrigation provided by the water reservation.

{Tape: 4; Side: A; Approx. Time Counter: 1 - 17}

Jeff Wickholm described the necessity of the monitoring system to help with the negotiations with the nearby wildlife refuge.

SEN. SHEA asked if a lot of the projects in the area were economic development efforts. **Jeff Wickholm** stated there was not a lot of value-added programs in that particular area. Farmers are raising a lot of new crops in the area, but there are not a lot of processing plants in the area. The tax base increases with increased irrigated lands.

SEN. TASH asked about the wetland easements and the irrigation pivots. **Jeff Wickholm** replied that the federal agencies are most involved with the wetland areas. The pivots shown are developed and authorized. Some acres are being converted from low wheel lines to pivots. Every irrigator is required to have a soil moisture monitoring system to reduce waste. Two acre feet of water is allotted per acre.

SEN. NELSON stated that the monitoring is mandated to the county and that the group is aware of the budget problems.

REP. RIPLEY asked if there was no funding to meet the mandate, what would the conservation group do. **Jeff Wickholm** stated they were unsure what would happen. The monitoring data allows the group to respond to disputes.

Director Clinch stated that **Ray Beck** had presented the Governor's office budget and would now present the additional General Fund cuts allocated by the Department to this Division subsequent to the global action taken by the legislature.

Ray Beck stated that over and above the cuts necessary to meet the Governor's budget, the Division recommends cutting an additional FTE and reducing some travel and supply expenses.

REP. RIPLEY requested additional details on the reductions. **Ray Beck** replied the total additional cuts are \$52,596. **Director Clinch** stated he would provide a printout of the additional information.

Ray Beck addressed the Regional Water Project funding. Currently 25 percent of the dollars going into the Permanent Coal Trust goes into a Regional Water fund and the interest goes to water projects. Proposals are before the legislature which would change the administrative funding.

REP. WITT, HD89, went on record as supporting Dry Prairie and North-Central Water Projects. **REP. WITT** acknowledged **CHAIRMAN PATTISON** for carrying a bill this session to switch funding for these projects. The projects are economic development for the area.

{Tape: 4; Side: A; Approx. Time Counter: 17 - 30}

CHAIRMAN PATTISON asked those present in support of projects to submit any written testimony and then to introduce themselves, stating what project they were supporting.

Gary Amestoy spoke in support of the Irrigation Development Grant program which is not included in the budget. A portion of the grant has been used for Lower Yellowstone Conservation District Development Committee, the Milk River Joint Board of Control, Fort Peck Tribe, Tongue River Water Users, and Missouri River Conservation Districts Council to pursue federal legislation to obtain Pick Sloan Project funding power for new and existing irrigation projects.

EXHIBIT (jnh07a03)

Gary Amestoy stated that he also represented the Richland Economic Development and the Eastern Plains Resource Conservation and Development Programs. The program has taken advantage of some of the grants allowing them to secure the water reservation, the Corps of Engineers permit, the 310 permit and are presently working to obtain reasonably priced power. **Gary Amestoy** included his comments on the continued extension of funding for the Eastern Plains Resource and Development Council.

EXHIBIT (jnh07a04)

SEN. TASH asked if the Yellowstone 81,000 acre dry farm irrigation project was to be ground water development. **Gary Amestoy** replied the project would utilize water from the Yellowstone river that was part of the water reservation that the legislature approved in the 1970's. The water is removed south of Sidney and is pumped to a bench west of Crane to irrigate 8,100 acres.

Mike Wendlund, Montana Association of Conservation Districts, spoke in support of the Division's budget. The Association of Conservation Districts depends on the assistance of the staff for financial, technical, legal and administrative support. The districts are committed to conserving the resources of Montana, and the Division is important in accomplishing this.

EXHIBIT (jnh07a05)

SEN. BUTCHER asked how much additional saline problem was caused by the irrigation projects. **Miles Knutson** stated he had some of the sprinkler irrigation, and it is very efficient. Very little leeching occurs.

Ray Beck stated the Districts work closely with the Salinity Control people. The systems are very efficient, and the projects are preceded by soil testing, ground water investigations to try to limit saline.

SEN. BUTCHER stated that, "When you get these big irrigation projects going and suddenly you end up with a saline issue, and next you need tiling money to get this stuff drained out." **Ray Beck** stated that tiling is not allowed; it is illegal.

Jane Holzer, Montana Salinity Control, stated the program has been primarily concerned with dry land salinity control but would

be able to work with irrigation projects to prevent salinity problems.

Clint Jacobs, Coordinator of the Dry Prairie Project, presented maps which illustrate where the projects are located. South Dakota has about 80 percent of their state covered with irrigation projects, while Montana has two projects representing ten percent of the land area. Federal money is available but startup money is critical. The federal government is costsharing on the Dry Prairie Project with Montana's part totaling \$8 million so far. The entire Dry Prairie project will be \$200 million. **Clint Jacobs** asked the Committee to support taking administrative money from the Treasure State Endowment Program(TSEP) Regional Water Systems account to provide administrative funds for the project.

{Tape: 4; Side: B; Approx. Time Counter: 1 - 11}

Dan Keil, Chairman of an ad hoc committee that is adjudicating the Rocky Boy Reservation Water Rights, asked for administrative funds.

EXHIBIT(jnh07a06)

Sarah Carlson, Montana Association of Conservation Districts, stated the Division has a lot of positive exposure with the public. Conservation Districts really depend on the Division, and the districts are concerned about the possible cuts facing the Division.

Chris Evans, Lewis and Clark Conservation District, spoke in support of the Division's work for the districts. The grant programs and the legal and technical assistance the Division offers is not available elsewhere.

EXHIBIT(jnh07a07)

Doug Schmitz, OBPP, stated that TSEP funding had just been completed at budget time, and perhaps a fiscal note could be used to access the funding.

CHAIRMAN PATTISON announced that the Committee would hear the Water Resources and Reserved Water Rights Compact Divisions tomorrow.

ADJOURNMENT

Adjournment: 12 P.M.

REP. JEFF PATTISON, Chairman

ELAINE G. OLSEN, Secretary

JP/EGO

EXHIBIT (jnh07aad)